

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 2511 – HB 2562

March 30, 2010

SUMMARY OF AMENDMENT (015543): Creates a licensure and enrollment program for the production, distribution, and dispensing of cannabis for a qualifying medical condition. Authorizes a person with a qualifying medical condition to enroll in the safe access program where the patient can receive a prescription from a licensed practitioner for cannabis and receive the product from a licensed pharmacist at a participating pharmacy. Qualifying patients in the program will receive a safe access identification card through the Department of Health. Producers and processors of the cannabis to be used in the program are to be licensed by the Department of Agriculture. The producers and processors will pay an initial application fee of \$250, an operation fee of \$1,000, and a renewal fee of \$1,000 every two years. All information obtained during the enrollment and verification process is confidential. Creates a Class B misdemeanor offense for any person to breach the confidentiality of information. Creates a Class C misdemeanor offense for fraudulent representation to a law enforcement officer of any fact or circumstance to avoid arrest or prosecution. Creates a Class C misdemeanor offense for a person who has been convicted of a felony offense under Tenn. Code Ann. Title 39, Chapter 17, Part 4 to be a principal officer, board member, agent, volunteer, or employee of a licensed producer or processor. Creates a 13-member Select Oversight Committee on Medical Marijuana appointed by the General Assembly that will meet at least three times per year and report its findings to the General Assembly by January 1 of every even numbered year.

CORRECTED FISCAL IMPACT OF ORIGINAL BILL:

Increase State Revenue – \$8,100/FY10-11

Exceeds \$27,000/FY11-12 and Subsequent Years

Exceeds \$3,300/Recurring/Board of Pharmacy

Increase State Expenditures - \$119,700/One-Time

\$4,300/One-Time/Board of Pharmacy

\$1,362,700/Recurring

\$156,200/Recurring/Board of Pharmacy

Exceeds \$501,000/FY11-12 and Subsequent Years

Increase Local Revenue – Not Significant

Increase Local Expenditures – Not Significant

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENT:

SB 2511 – HB 2562

Unchanged from the corrected original fiscal note.

Assumptions applied to amendment:

- There will be a gradual implementation of the program. The Departments of Health and Agriculture will have to promulgate rules and regulations governing the program and begin accepting applications for the licensed producers, distributors, and dispensaries within 120 days after the effective date. Within 180 days of the effective date, the Departments will hold a public hearing on the applications of at least one producer, one distributor, and one dispensary. Within 210 days of the effective date, the program will grant at least one certificate to a licensed producer, licensed distributor, and dispensary. Within 270 days of the effective date, the program will begin to accept applications to provide certificates for additional licensed producers, distributors, and dispensaries.
- The Department of Agriculture will need additional staff in order to meet the regulatory requirements of the proposed legislation which includes the licensure of producers and distributors, issuance of identification cards, creation and maintenance of a registry database, and the regulation of production and processing facilities.
- The Department of Agriculture will hire a director, administrative services assistant, clerk, a training manager, an agriculture enforcement officer, and an information systems analyst in the first year. These positions are estimated to increase recurring expenditures by \$408,809 which includes salaries (\$244,484), benefits (\$83,125), administrative services allocation (\$47,400), communications and networking (\$10,200), travel (\$20,000), and supplies (\$3,600). There will be an increase in one-time expenditures of \$26,466 which includes computers (\$12,324), office landscaping (\$8,142), and registration card printing equipment (\$6,000).
- It is estimated that the Department of Agriculture will hire an additional administrative assistant, two training officers, two agriculture enforcement officers, and three auditors in year two. These positions are estimated to increase recurring expenditures by \$500,955 which includes salaries (\$271,844), benefits (\$92,427), administrative services allocation (\$63,200), communications and networking (\$13,600), travel (\$55,084), and supplies (\$4,800). There will be an increase in one-time expenditures of \$27,288 which includes computers (\$16,432) and office landscaping (\$10,856).
- Based on the timeline established in the legislation, it is estimated that there will be at least three producers and three distributors licensed in the first year resulting in an increase in revenue of \$8,100 [(\$250 application fee + \$1,000 operation fee + \$100 registration identification card fee) x 6]. It is estimated that at least 10 additional producers and 10 additional distributors will be licensed in year two resulting in an increase in revenue of \$27,000 [(\$250 application fee + \$1,000 operation fee + \$100 registration identification card fee) x 20].
- It is assumed that anywhere from 800 to 3,000 individuals will participate in the program by year two. After year two, it is estimated that there will be at least 10,000 registered participants.
- The Department of Health will need additional staff in order to meet the regulatory requirements of the proposed legislation which includes the determination of eligibility, issuance of identification cards, creation and maintenance of a database, and the operation of the program in local health departments.

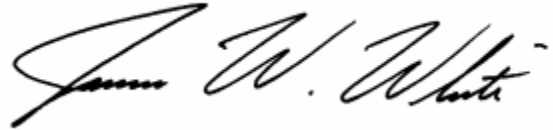
- It is estimated that the Department will hire an administrative services assistant position in the regional health departments and the six metropolitan health departments. These 13 positions are estimated to increase recurring expenditures by \$756,956 which includes salaries (\$427,830), benefits (\$145,462), administrative services (\$102,700), communications and networking (\$19,864), office leases (\$53,300), and supplies (\$7,800). There will be an increase in one-time expenditures of \$58,800 which includes computers (\$23,700) and office landscaping (\$35,100).
- Each region and metropolitan health department will incur a one-time increase in expenditures of \$20,800 for photo identification and digital cameras (\$13,000) and security encryption equipment (\$7,800).
- The Department will hire additional positions in the regions and metropolitan areas as are needed to meet the demands of the program. It is estimated that expenditures in year two and subsequent years will increase but an exact amount is dependant on the rules and regulations established by the Department and program participation.
- The Department of Health will hire an information specialist position and a database manager position to manage the information collected and to run verifications of program participants. These positions are estimated to increase recurring expenditures by \$183,735 which includes salaries (\$116,220), benefits (\$39,515), administrative services (\$15,800), communications and networking (\$2,800), office leases (\$8,200), and supplies (\$1,200). There will be an increase in one-time expenditures of \$8,600 which includes computers (\$3,200) and office landscaping (\$5,400).
- There will also be a one-time increase in expenditures of \$5,000 for the controlled substance monitoring database.
- The Board of Pharmacy will be responsible for ensuring prescribers and dispensers report the dispensing of cannabis to be included in the controlled substance monitoring database and to manage licensure of the new pharmacies licensed for the program and to ensure compliance with the provisions of the program. The Board will hire a pharmacist to assist with the additional responsibilities of the Board. The position will result in an increase in recurring expenditures of \$156,174 which includes salary (\$95,652), benefits (\$32,522), administrative services (\$7,900), communications and networking (\$1,400), office lease (\$4,100), travel (\$14,000) and supplies (\$600). There will be an increase in one-time expenditures of \$4,300 which includes computers (\$1,600) and office landscaping (\$2,700).
- It is estimated that approximately 15 dispensaries will become licensed statewide over the first two years. This includes one dispensary in each health region, one dispensary in Hamilton, Knox, Madison, and Sullivan Counties, and two dispensaries in Davidson and Shelby Counties. The initial licensure and renewal fees are \$218 resulting in an increase in revenue of \$3,270 (\$218 x 15). The Board may have to increase fees greater than this amount if Board revenue is not sufficient to cover the Board's expenditures.
- Pursuant to Tenn. Code Ann. § 4-3-1011, all health-related boards are required to be self-supporting over a two-year period. As of June 30, 2008, the Board had a balance of \$261,783.99. The Board's FY08-09 balance is not yet available.
- The provisions of the bill do not establish compensation or travel reimbursement for the members. It is estimated that the nine non-legislative members will receive similar per diem and travel reimbursement as the four legislative members. The committee must

meet at least three times per year resulting in an increase in recurring expenditures of \$13,221 [(\$185 per diem + \$154 mileage for each member) x 13 members x 3 meetings].

- If there is a decrease in convictions, there would not be a significant impact on expenditures related to court proceedings or incarceration due to the legislation creating two criminal offenses which will require resources for prosecution and incarceration.
- The creation of Class B and Class C misdemeanors will not have a significant fiscal impact on local government.

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "James W. White". The signature is fluid and cursive, with the first name "James" written in a stylized script.

James W. White, Executive Director

/kml